

DEPARTMENT OF THE NAVY  
Office of the Chief of Naval Operations  
Washington, DC 20350-2000

OPNAVINST 4060.4B  
Pers-65  
19 March 1993

OPNAV INSTRUCTION 4060.4B

**From:** Chief of Naval Operations  
**To:** All Ships and Stations (less Marine Corps field addressees not having Navy personnel attached)

**Subj:** ESTABLISHMENT OF AUXILIARY  
RESALE OUTLETS (AROs)

**Ref:** (a) OPNAVINST 1700.7D  
(b) NAVSO P-3520 Change 2  
(c) NAVCOMPT Manual, Volume 7,  
Section 075500  
(d) NAVMILPERSCOMINST 5300.1  
(NOTAL)  
(e) BUPERSINST 1710.11A  
(f) NAVMILPERSCOMINST 5890.1  
(NOTAL)  
(g) BUPERSINST 7510.1 (NOTAL)

**Encl:** (1) Guidelines for the Completion of the  
ARO Operator Financial Control  
Record  
(2) Guidelines for the Completion of the  
ARO Financial Statement

**1. Purpose** To issue revised policy and program management guidance for operating AROs on shore stations and on ships without a ship's store. This instruction is a complete revision and should be reviewed in its entirety.

**2. Cancellation** OPNAVINST 4060.4A.

**3. Applicability** This instruction does not apply to:

**a.** Conventional coffee messes that are restricted to beverage and associated pastry/snack items for which charges are made only to offset the cost of items provided.

**b.** Ships with a ship's store.

**4. Discussion**

**a.** General messes, Navy Exchange food service and vending facilities, Officer and/or Enlisted Clubs, or commercial food service facilities are not always

able to conveniently offer food and beverage services to military personnel who frequently work unusual hours or shift schedules. Fewer interruptions in work schedules may lead to greater efficiency as well as improved morale of those personnel through availability of limited food and beverage service at the work site.

**b.** AROs at work sites may be warranted and authorized as a supplement to services identified in paragraph 3a, but not as a duplication for unit convenience/fund generation only. Duplication/competition among resale outlets is counterproductive to the overall effectiveness of providing adequate morale, welfare and recreation (MWR) services within the Navy. Reference (a) contains guidelines for controlling duplication and competition among resale outlets. AROs will not be established in direct competition with Navy Resale or MWR operations.

**5. Authorization**

**a.** Unit commanders may establish an ARO only with the written concurrence of his/her major claimant. Factors that should be considered by the unit and the major claimant are the compatibility of the operating hours of existing food service facilities with the working hours of the organization; distance of the work area from food service facilities; and the ability of the Navy Exchange or local MWR activity to provide food service at, or convenient to, the work area. Major claimants are also tasked with the responsibility of overseeing and monitoring the operation of AROs. The major claimant will forward a copy of the written justification that establishes and authorizes the ARO to the Bureau of Naval Personnel (Pers-656). A copy of the approved justification will be maintained on file for subsequent oversight review.

**b.** Authorized AROs will be established as Category C Nonappropriated Fund Instrumentalities (NAFIs) subject to the restrictions specified in reference (b). AROs shall not be operated for the personal profit of any individual, group, or combination of individuals, and no individual shall have any financial interest or right in any property used, acquired, or held in the ARO.

**c.** AROs are authorized to provide only the following specific merchandise for resale:

0579L00564050



19 March 1993

- (1) Non-alcoholic hot and cold beverages
- (2) Donuts and other pastries
- (3) Prepared and packaged snack items
- (4) Prepared and packaged sandwiches

(5) Emblematic merchandise such as plaques, ball caps, and decals which must include the unit insignia of the particular organizational unit operating the ARO.

## 6. Policy

a. Operating and financial management policies will follow reference (b) and be on a cash/check basis. Supplementary financial guidance is provided in enclosures (1) and (2).

b. Preparation of food items at an ARO is specifically prohibited.

c. Merchandise sold in an ARO, if normally stocked by the local Navy Exchange or its distributors, shall be procured from the Navy Exchange at the established Navy Exchange selling price less 10 percent or cost, whichever is higher. The selling price to be used shall be obtained under the same conditions of sale at both the ARO and Navy Exchange. Merchandise not normally stocked by the local Navy Exchange or its distributors may be procured on the open market, to the amount of purchase authority officially granted at the discretion of the base commanding officer and documented for the record. Authorized purchases from the same supplier may not be split to avoid complying with purchasing authority limitations.

d. Sales are restricted solely to occupants of the work area in which the ARO is located. AROs shall not be involved with inflight feeding functions aboard Navy aircraft. Support for inflight feeding is to be provided by an enlisted dining facility.

e. At the discretion of the host installation commander, maximum unit allocation funds for units operating AROs may be decreased to compensate for profit income generated by the ARO.

f. Staffing to manage and operate AROs will follow reference (c) for Category C Nonappropriated

Fund Instrumentalities (NAFIs). Active duty military personnel may be designated to perform duties involving ARO functions on an additional or collateral duty basis only. Such duties shall be in addition to the person's primary duty assignment. Military personnel may also be hired to work in an off-duty capacity. Such off-duty hires must be managed according to the non-appropriated fund personnel policies procedures included in reference (d).

g. Any profits generated in AROs shall be expended per reference (e) and limited to equipment needs of the operation or for expenditures in support of the collective general welfare of the personnel assigned to the unit operating the ARO.

h. Per references (b) and (f), adequate insurance is essential to protect against financial loss, protect the individuals who operate AROs, patrons who use AROs, the local command and the Navy. The following insurance requirements must be met and documented before an ARO may be allowed to operate:

(1) Each ARO must purchase and maintain adequate liability insurance from a commercial insurance company to protect against third party liability claims. All insurance premiums must be paid with local ARO funds.

(2) Minimum coverage limits for this liability coverage are \$500,000 per person/\$1,000,000 per occurrence for personal injury or death and \$100,000 for property damage to others.

(3) This liability insurance policy must list the ARO, the command where the ARO is located and the United States of America as the "named insured".

(4) Each ARO must maintain worker's compensation insurance purchased from a commercial insurance company for any non-appropriated fund employees working for the ARO.

(5) Each ARO is responsible for damages to and/or loss of its own equipment and thus should consider purchase of property insurance from a commercial insurance company to cover such losses.

(6) Any commercial insurance policy obtained for an ARO should be coordinated with the base legal services office to ensure that the policy meets all

19 March 1993

requirements and contains acceptable claims processing procedures.

## 7. Fiscal Oversight and Inspections

a. All nonappropriated funds (NAF) supporting AROs are government funds and are subject to all laws, rules, and regulations established for the control of NAF. In operating an ARO, care must be exercised to fix the responsibilities of those personnel involved in both the overall management and the daily operational functions. Effective financial controls are also required to protect the assets of the ARO by ensuring the accuracy of accounting records, taking periodic inventories, maintaining adequate control of cash/check receipts and disbursements, and scheduling/conducting periodic Immediate Superior in Command (ISIC) reviews (as stated in OPNAVINST 4060.4B). Any reviews that have not been completed on schedule shall be reported to the commanding officer at least quarterly by the Command Evaluation Team.

b. Local fiscal oversight and reviews of AROs shall be performed following the guidance provided in reference (g). The conduct and adequacy of local fiscal oversight and reviews, and resulting corrective actions, are the responsibilities of commanding officers. ARO reviews shall be included in the annual schedule and include those functions identified as highly vulnerable to fraud, waste, and abuse. Normally these functions would include cash funds and receipts, sales, procurement, disbursements, payroll, and merchandise inventory. These reviews may be performed by using local command evaluation, internal audit, or other comparable staff (e.g., using a separate audit board or contracting with certified public accountants).

c. During on-site fiscal oversight reviews of MWR activities, Bureau of Naval Personnel (BUPERS) representatives will report to the host commander on the fiscal condition and compliance with financial reporting requirements of AROs on the installation. The BUPERS fiscal oversight reports will include:

(1) estimation of revenues generated by the ARO;

(2) adequacy of the scope of recent local audit or review coverage;

(3) availability of local command authorizations for AROs in operation;

(4) availability of locally maintained financial statements; and

(5) validation of the adequacy of liability insurance coverage from a commercial insurance company.

Findings will be summarized in the Executive Summary and discussed in the Findings and Recommendations and General Observations sections of fiscal oversight reports.

d. As a minimum, the following accounting records must be maintained:

(1) Record of Income—Documents the receipts to support sales proceeds. Close out transactions in income accounts at the end of each month and reconcile the income activity to the supporting records.

(2) Record of Expenses—Documents the authorized cash or check disbursements for purchases from the Navy Exchange or other suppliers. Payments by check are strongly encouraged. These expense transactions should be closed at the end of each month and reconciled to proper supporting records. Late closings and significant discrepancies should be reported promptly for appropriate management attention.

e. Major claimants, as part of their inspections of subordinate commands, will ensure subordinate commands comply with the provisions of paragraph 7a and 7b. Reports of any corrective actions required to achieve compliance will be monitored on a periodic basis by the major claimants.

f. Guidelines for completion of the ARO Operator Financial Control Record and the ARO Financial Statement are provided in enclosures (1) and (2).

## 8. Action

a. BUPERS (Pers-65) shall provide policy guidance for the operation and fiscal oversight of AROs.

b. Unit commanders shall ensure compliance with these policies, as well as the guidance provided

**19 March 1993**

by references (a) through (g). Also, unit commanders shall affect appropriate corrective action concerning findings/recommendations of completed Immediate Superior in Command (ISIC) reviews per OPNAVINST 5040.7K and comply with follow-up procedures per paragraph 6 of reference (a) and paragraph 300.3f of reference (d).

c. **Reporting Requirements:** Provide a copy of the completed monthly ARO Statement enclosure (1) to the host installation commander, base commanding officer, or officer in charge (do NOT mail monthly reports to BUPERS). Mail one copy of the annual report for each ARO in operation during the fiscal year (prepared as of 30 September) to Bureau of Naval Personnel (Pers-652D), Washington, DC 20370-5652.

**9. Disestablishment** Reference (b) provides guidance for the disestablishment of the ARO. During the period between proposed inactivation and actual closing, disbursements will be limited to normal essential expenses. Future commitments will be cancelled and contractual agreements will be cancelled or renegotiated. Within 60 days after receipt of notification of closure, all outstanding payables will be liquidated. Upon final dissolution, all residual assets that remain after the transfer and liquidation of assets will be forwarded promptly by check, to Bureau of Naval Personnel (Pers-652), Washington, DC 20370-5652.

#### **10. Forms and Reports**

a. NAVPERS 4060/1 (Rev. 7-89), Auxiliary Resale Outlet (ARO) Financial Statement, may be obtained from the Fiscal Analysis Section, Fiscal

Management Branch, MWR Division, Bureau of Naval Personnel (Pers-652) by calling DSN 286-6540 or commercial (703) 746-6540.

b. Report control symbol BUPERS 4060-1 is assigned to the reporting requirement contained in paragraph 8, and is approved for 3 years from the date of this instruction.

**R. J. ZLATOPER**  
Deputy Chief of Naval Operations  
(Manpower & Personnel)

**Distribution:**  
**SNDL Parts 1 and 2**

**Chief of Naval Operations**  
**N09B34**  
**Navy Department**  
**Washington DC 20350-2000 (165 copies)**

**Bureau of Naval Personnel**  
**Pers-65**  
**Washington DC 20370-5652 (50 copies)**

**SECNAV/OPNAV Directives Control Office**  
**Washington Navy Yard Building 200**  
**901 M Street SE**  
**Washington DC 20374-5074 (30 copies)**

**Stocked:**  
**Naval Aviation Supply Office**  
**Physical Distribution Division Code 103**  
**5801 Tabor Avenue**  
**Philadelphia PA 19120-5099 (500 copies)**

19 MAR 1993

GUIDELINES FOR THE COMPLETION OF THE  
ARO OPERATOR FINANCIAL CONTROL RECORD

1. GENERAL INSTRUCTIONS. The ARO Operator Financial Control Record provides a means to compare the receipts turned in by the ARO operator in relation to the retail value of merchandise sold. This record should be completed whenever the operator is relieved of duties. The relieved and relieving operators should jointly complete an inventory of the on-hand resale provisions and provide this inventory to the ARO custodian or designated individual responsible for the record-keeping functions. Resale merchandise that is in the ARO storeroom under separate custody (i.e., not broken out to the sales outlet) does not have to be inventoried when the ARO operator is relieved of duties. Regular inventories are an important function and should be conducted at least monthly; however, local instruction may direct inventories be done at any time (daily, weekly, quarterly, etc.). The number of line items in an ARO may preclude the number of inventories to be done.

2. PREPARATION OF THE ARO OPERATOR FINANCIAL CONTROL RECORD. This record should be completed according to the following formula:

Beginning Inventory - Total retail value of resale merchandise at the start of the shift.

PLUS (+) Receipts - Total retail value of any additional resale merchandise received by the ARO during the shift.

MINUS (-) Ending Inventory - Total retail value of resale merchandise at the end of the shift.

EQUALS (=) Merchandise Sold - Retail.

Differences in excess of +/- \$5.00 between the funds turned in by the operator and the retail value of resale merchandise assumed sold require investigation. Necessary actions to prevent recurrence should be taken. In cases where there are multiple operators, each will be responsible for accuracy of records developed during the shift.

3. RETENTION. The ARO Operator Financial Control Record should be retained for a 3 year period and be made available to the individual(s) responsible for evaluating, reviewing and/or auditing the monthly and annual ARO Financial Statements described in enclosure (2).

Enclosure (1)

1 p MAR 1993

GUIDELINES FOR THE COMPLETION OF THE  
ARO FINANCIAL STATEMENT

1. INTRODUCTION. These guidelines establish uniform procedures for the completion and submission of the ARO Financial Statement by all activities maintaining an ARO. This is a single-entry cash basis system of accounting and enables each activity to reflect its financial transactions during a specified period, as well as accurately represent its current financial condition.

2. GENERAL INFORMATION

a. The ARO Financial Statement reflects all income and expenses incurred by the ARO during the reporting period. All entries shall be recorded in U. S. dollars. DO NOT include income that is due but not received, or expenses that are owed but not paid, at the end of the period.

b. Line titles/descriptions must be adhered to whenever possible. Those items of income and expense, that are not listed on the financial statement, will be shown under the captions "Other Receipts" (Line 3) or "Other Expenses" (Line 9).

3. PREPARATION OF THE ARO FINANCIAL STATEMENT (sample attached)

a. Identification

(1) Reporting Activity: Identify by command designation, geographic location (mailing address), and appropriate Unit Identification Code (UIC).

(2) Period Ending: An interim ARO Financial Statement shall be completed as of the last working day of each month and retained by the ARO with a copy to the host installation commander via the unit commander. A cumulative fiscal year ending report (annual report) covering the period 1 October through 30 September of each fiscal year, or date of disestablishment of the ARO, shall be submitted to Pers-652, postmarked by 15 October of each year, with copies to the host installation commander and the ARO's chain of command.

b. The INCOME AND EXPENSE STATEMENT portion will be completed as follows:

Line 1: NET WORTH (Cash) Brought Forward Beginning of Period - Enter the net worth (cash) figure brought forward from the end of the previous Annual Income and Expense Statement. This amount shall equal the amount reported on line 11 of the previous period's statement. Activities reporting for the first time will have a zero Net Worth Brought Forward.

Enclosure (2)

19 MAR 1993

Line 2: SALES RECEIPTS - Enter revenue derived from merchandise sales during the reporting period.

Line 3: OTHER RECEIPTS - Enter cash received in the ARO which is not included in Lines 1 and 2 (interest from checking/savings accounts, for example).

Line 4: TOTAL CASH/RECEIPTS - Add Lines 2 and 3 and enter the result. This figure represents ALL income received from ALL sources during the reporting period.

Line 5: PURCHASES FROM NAVY EXCHANGE (RESALE) - Enter the total dollar value, at cost, of all merchandise purchased for resale from and paid to the Navy Exchange during the report period.

Line 6: PURCHASES FROM OTHER VENDORS (RESALE) - Enter the total dollar value, at cost, of all merchandise purchased for resale from and paid to vendors other than the Navy Exchange during the report period.

Line 7: SALARIES AND WAGES EXPENSE - Enter the total of all salaries and wages (Direct, General and Administrative, and Maintenance), employee benefit costs, employer Federal Insurance Compensation Act (FICA), other contributions, other payroll taxes, and employee incentive awards actually paid during the period.

Line 8: OPERATING SUPPLIES/EQUIPMENT EXPENSE - All equipment with a unit cost of under \$300 and supplies which were purchased during the period will be reflected on this line. Do not include items purchased for resale (reported on Lines 5 and 6).

Line 9: OTHER EXPENSE (OTHER EXPENDITURES NON-RESALE) - Enter the total dollar value of all other expenses not included on another expense line.

Line 10: TOTAL CASH EXPENDITURES - Add lines 5, 6, 7, 8, and 9, and enter the total.

Line 11: NET WORTH (CASH AT END OF PERIOD) - Add line 1 plus line 4 and subtract line 10; and enter the difference. This amount will become the opening balance of net worth (cash) that will be brought forward at the beginning of the next monthly reporting period. This amount must equal the amount on line 16 of the RECAPITULATION OF NET CASH section of this report.

c. The RECAPITULATION OF NET WORTH section will be completed as follows:

19 MAR 1993

Line 12: GENERAL CHECKING ACCOUNT - Report the amount of ARO nonappropriated funds on deposit in a regular or special bank checking account per local records as of the last day of the period.

Line 13: SAVINGS ACCOUNT - Report the amount of nonappropriated funds of the ARO on deposit in bank savings account(s) and/or other interest bearing account(s) per local records as of the last day of the period.

Line 14: PETTY CASH FUND - Report the amount of cash and receipts for cash on hand in the petty cash fund as of the last day of the period. Petty cash funds will be maintained per paragraph 806 of reference (d).

Line 15: UNDEPOSITED CHECKS/OTHER CASH ON HAND - This line will reflect the dollar amount of cash and checks on hand awaiting deposit by actual count on the last day of the reporting period.

Line 16: TOTAL NET WORTH (CASH) CARRIED FORWARD - The amount reflected under this caption must accurately represent the total cash position of the ARO at the end of the period and is derived by adding the totals of lines 12 through 15. The total on this line must equal the figure shown on Line 11 and will be shown on Line 1 of the succeeding period statement.

d. The STATISTICAL DATA section will be completed as follows:

Line 17: NUMBER OF MILITARY PAID FROM NONAPPROPRIATED FUNDS - Reflect the number of part-time military (off-duty) personnel receiving compensation from the ARO as of the last day of the period.

Line 18: NUMBER OF CIVILIANS PAID FROM NONAPPROPRIATED FUNDS - Reflect the number of civilian personnel (full-time/part-time) employed by the ARO as of the last day of the period.

Line 19: TOTAL NONEXPENDABLE PROPERTY - Reflect the initial dollar acquisition cost of all nonexpendable property (property acquired with a unit cost of more than \$300) procured from nonappropriated funds of the ARO in both the current and prior fiscal years, held at the end of the period. This amount must agree with the property on hand as shown on the Property/Inventory Record, which must be maintained locally for the ARO, as for any activity, as prescribed in reference (d).

4. CERTIFICATION REQUIREMENTS. Completion of the certification is required before the statement can be accepted or retained as



19 MAR 1993

an official document. Undated or unsigned annual statements will not be accepted and will be returned by BUPERS (Pers-65) to the originator for appropriate corrective action.

5. CONTACT POINTS

a. FINANCIAL - If financial assistance is needed, call the Financial Management Branch (Pers-652), MWR Division, Bureau of Naval Personnel, DSN 286-6540 or commercial (703) 746-6540.

b. OVERALL POLICY - If policy assistance is needed, call the Assistant for MWR Coordination (Pers-656G), Bureau of Naval Personnel, DSN 286-7009 or commercial (703) 746-7009.

19 MAR 1993

Command Designation:

Geographic Location:

<b>AUXILIARY RESALE OUTLET (ARO) FINANCIAL STATEMENT</b>					
UIC		For Fiscal Year Ending		For the Month Ending	
Reporting Activity	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> Annual Report	<input type="checkbox"/> DA <input type="checkbox"/> MO <input type="checkbox"/> YR	<input type="checkbox"/> Interim Report	<input type="checkbox"/> DA <input type="checkbox"/> MO <input type="checkbox"/> YR
<b>INCOME AND EXPENSE STATEMENT</b>					
1	Net Worth (Cash) Brought Forward Beginning of Period				1
<b>CASH RECEIPTS</b>					
2	Sales Receipts				2
3	Other Receipts				3
4	Total Cash/Receipts (Line 2 + Line 3)				4
<b>CASH EXPENDITURES</b>					
5	Purchases from Navy Exchange (Resale)				5
6	Purchases from Other Vendors (Resale)				6
7	Salaries and Wages Expense				7
8	Operating Supplies/Equipment Expense				8
9	Other Expense (Other Expenditures - Non Resale)				9
10	Total Cash Expenditures (Lines 5-9)				10
11	Net Worth (Cash at End of Period) (Line 1 + Line 4 Minus Line 10)				11
<b>RECAPITULATION OF NET WORTH CASH</b>					
12	General Checking Account				12
13	Savings Account				13
14	Petty Cash Fund				14
15	Undeposited Checks/Petty Cash on Hand				15
16	Total Net Worth (Cash) Carried Forward				16
(Line 12 + Line 13 + Line 14 + Line 15 Must Equal the Figure on Line 11)					
<b>STATISTICAL DATA</b>					
				Full Time	Part Time
17	Number of Military Paid from Nonappropriated Funds				17
18	Number of Civilian Paid from Nonappropriated Funds				18
19	Total Nonexpendable Property				19
(Must Equal Total of Property/Equipment Inventory Record)					
<b>CERTIFICATION</b>					
I certify that the Auxiliary Resale Outlet (ARO) Financial Statement is correct and that there are no unreported receipts or expenditures.					
_____ ARO Custodian Signature				_____ Date	
I, duly detailed, have audited the ARO Financial Statement. I certify that it accurately represents the condition of the ARO and that all disbursements are in accordance with existing regulations. Conditions are satisfactory except as noted.					
_____ Senior Member of Audit Board Signature				_____ Date	
Approved	_____ Commanding Officer/OIC Signature				_____ Date
Auditor Comments:					

NAVPERS 4060/1 (REV. 7-89)

**Reporting Requirements:**

1. Mail copy of ARO monthly statement to base Commanding Officer/OIC.
2. Mail annual report (year ending 30 September) to Pers-652D, Washington D.C. 20370-5000